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This Week in Canadian Agriculture, Issue 33

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Report Highlights:
News Reports Indicate Wheat Board CEO May be Fired * CWB Debate Continues * CWB Announces Identity Preserved Contract Program * Grain Transportation Issues Require Legislative Action * Canada Will Increase Grain Export Share Says AgriCore President * R-Calf Continues Efforts to Halt Cattle and Beef from Canada * Lower Program Payments and Weaker Hog Prices Lead to Drop in Farm Cash Receipts * Dairy Policies Implemented to Create Greater Stability * Record Yields Boost Potato Production * B.C. Forest Products Company Acquires 13 U.S. Sawmills

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Includes PSD Changes: No
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

NEWS REPORTS INDICATE WHEAT BOARD CEO MAY BE FIRED: Several news media outlets are reporting that Canadian Wheat Board (CWB) President and CEO Adrian Measner will be fired by the Minister of Agriculture, Chuck Strahl, unless Measner assures the minister that he will support the government's plan to create an open market for wheat and barley in western Canada. The reports said that Measner told a gathering of CWB employees on Thursday (November 30), that he had received a letter from Minister Strahl that Measner is interpreting as "two weeks notice". Adrian Measner became the CEO of the CWB in January 2003 — a position created in 1998 after farmer-elected directors assumed control of the organization. He has spent more than 30 years at the CWB, including nine years in charge of grain marketing and transportation.

CWB DEBATE CONTINUES: The future of the CWB continues to be debated in the western farm papers. In early November, Manitoba and Saskatchewan provincial governments' announced plans to go ahead with a producer plebiscite on the future of the Canadian Wheat Board if the Canadian government does not give Western farmers this opportunity. The Albertan agricultural minister criticized this move stating that, since the Canadian Wheat Board is under federal legislation, this type of provincial plebiscite will have little effect on the federal government. Meanwhile, the Canadian Wheat Board has expressed increasing frustration with the federally imposed gag order that prevents it from participating in the debate on its future. Four CWB director candidates have lodged a formal complaint with the CWB election co-coordinator Peter Eckersley accusing Chuck Strahl, the federal minister of agriculture, of violating the election regulations by intervening in the directorship election. After consulting with legal advisors, Eckersley, stated that he does not feel the minister has violated the election regulations.

CWB ANNOUNCES IDENTITY PRESERVED CONTRACT PROGRAM: The Canadian Wheat Board (CWB) has announced its 2007-08 Identity Preserved Contract Program (IPCP) for wheat and durum. The IPCP offers farmers incentives for growing new varieties that the CWB test-markets in Canada and internationally, or uses to supply buyers with specific milling and end-use needs. "Farmers entering into IPCP contracts can receive premiums of up to C$10 per ton while helping to increase the potential market for high-quality western Canadian grains," said Earl Geddes, CWB vice-president of Product Development and Marketing Support. "Our customers have specific needs. They depend on us to supply the high-quality varieties that meet their needs, and the IPCP enables us to do that."

GRAIN TRANSPORTATIONS ISSUES REQUIRE LEGISLATIVE ACTION: Grain transportation issues were the topic of discussion during the November 21st meeting of the Standing Committee on Agriculture and Agri-Food. Representatives from the Thunder Bay Port Authority and the Canadian National Railway Company (CN) as well as members of the lobby group Western Grain Elevator Association (WGEA) were present to answer questions from the committee members. The near monopoly that exists for rail service in western Canada has led to a lack of both reliability and accountability from the railways, grain industry representatives argued. WGEA representatives highlighted the imbalance in market power by explaining that while grain operators lose their incentives if they are late in loading grain, there are no consequences or accountability for the railways when cars arrive late. CN Senior Vice-President, Peter Marshall, stated that CN has been making significant efforts to increase efficiencies and that these efforts have focused on how the fleet is used. He added that the railways have made several suggestions on how the grain industry could help. Grain industry representatives answered that the grain industry has responded to these suggestions and gave the example of having increased staff at elevators and terminals. But, they argue, they are often faced with the additional costs of frustrated and unhappy employees spending weekends waiting for cars that do not show up until Monday. WGEA representatives expressed the sentiment that legislative reforms are the only way that many of the outstanding issues can be solved since railways are simply operating in a manner that maximizes their returns and will continue to do until they are forced to change. The Canadian Transport Minister is currently working on amendments to the Canada Transportation Act.

AGRICORE PRESIDENT SAYS CANADA WILL INCREASE GRAIN AND OILSEED EXPORT SHARE AS U.S. GRAINS DIVERTED TO BIOFUELS: The farm press reports that Brian Hayward, CEO of Agricore believes Canadian exports of grain and oilseeds will benefit from the expansion of the ethanol and biodiesel markets in the United States. "With the existing capacity that is in the process of being built in the U.S., the U.S. will be using in the order of 25% of its corn crop for the ethanol sector by 2010/2011," Hayward said. "At some point the U.S. will find itself short of supply to compete in the export market which should then create a real opportunity for Canada to supply grains and oilseeds to foreign customers offshore." Agricore United is one of Canada's leading agri-businesses with headquarters in Winnipeg, Manitoba. The company's operations are diversified into sales of crop inputs and services, grain merchandising, livestock production services and financial services.

R-CALF CONTINUES EFFORTS TO HALT CATTLE AND BEEF FROM CANADA: The U.S. Court of Appeals for the 9th Circuit recently denied a Motion of Summary Affirmance (a USDA motion) presented in August 2006 that urged the 9th Circuit not to proceed with further court action in R-CALF USA's challenge of USDA's Minimal Risk Region Rule (Final Rule), which relaxed import restrictions for countries with bovine spongiform encephalopathy (BSE). At present, Canada is the only country eligible under the minimal risk designation stipulated in the Final Rule and is eligible to export live slaughter cattle under 30 months of age, certain beef from young cattle, and certain feeder animals to the United States. What is commonly referred to as minimal risk rule #2, a USDA proposal to broaden imports from Canada to include cattle older than 30 months of age and some of their products was submitted for review by the Office of Management and Budget by USDA on November 24, 2006.

LOWER PROGRAM PAYMENTS AND WEAKER HOG PRICES LEAD TO DROP IN FARM CASH RECEIPTS: The total farm cash receipts of Canadian farmers for the first nine months of 2006 reached C$26.9 billion, down almost 1% from C$27.1 billion during the January to September period of 2005. Crop receipts, which amounted to C$10.1 billion, were up 3.9% over the January to September period last year but they failed to offset lower receipts for livestock and for government program payments. Total livestock revenue was pulled lower by weaker hog market prices and fractionally lower domestic hog marketings. Government program payments in the first nine months of 2006 totaled C$3.5 billion, a 9.4% decline from record levels set in 2005, yet C$549 million above the previous five-year average. Statistics Canada reported that with the phasing-out of the Farm Income Payment program, payments of C$79 million made in 2006 were significantly less than the C$724 million distributed between January and September 2005. The winding down of several BSE-related programs also contributed to the decline in program payments. Payments under the Canadian Agricultural Income Stabilization (CAIS) program and the CAIS Inventory Transition Initiative totaled C$1.3 billion, down 1.7% from the amount distributed during the same period in 2005. Crop insurance payments declined 22.6% to C$458 million. On the other hand, the new Grains and Oilseeds Payment Program (GOPP) delivered C$730 million in the first nine months of 2006, cushioning the decline in program payments. The GOPP was designed to provide direct assistance to producers of grains, oilseeds and special crops.

DAIRY POLICIES IMPLEMENTED TO CREATE GREATER STABILITY: The Quebec dairy producers semi-annual meeting and the consultations of the Dairy Farmers of Ontario resulted in new, yet different, policy approaches to help bring quota values in-line and create more stability in the industry. In addition to a 30% transfer assessment, Quebec dairy farmers have also voted in favor of a C$30,000 per kilogram of butterfat cap, close to the average price for quota over the past year. While the transfer assessment by-law was approved by the Régie des marches agricole et alimentaires du Québec, the quota cap will need to go through the official gazetting processes to become law. Ontario adopted a 15% transfer assessment to apply on all quota sold up to C$30,000 per kilogram of butterfat. The assessment will increase as the price goes above that level. Dairy Farmers of Ontario have also implemented policy that will require Ontario dairy producers to pay what they bid on the exchange and have also introduced policy that limits the letter of direction of proceeds to banks and Farm Credit.

RECORD YIELDS BOOST POTATO PRODUCTION: Although the 2006 area of potatoes harvested was about the same as a year ago, this year's estimate of Canadian potato production is 15% higher reflecting better growing conditions that led to the highest yields on record. Statistics Canada reports that total Canadian potato production during 2006 reached 5.024 million metric tons, 15% above 4.386 million metric tons produced during 2005, the year when the industry sharply reduced plantings in response to weaker prices and lower demand for processing potatoes. Despite the significant year-to-year gain, the 2006 outturn is only 5% above the 2001-2005 five-year average. Better weather in most regions boosted yields in 2006 in all potato producing provinces except Alberta and Nova Scotia, which reported yield declines. According to Agriculture and Agri-Food Canada, the quantity of potatoes in storage in Canada on November 1, 2006 was 7% greater than a year ago on that date.

B.C. FOREST PRODUCTS COMPANY ACQUIRES 13 U.S. SAWMILLS: West Fraser Timber Company. Ltd., headquartered in Vancouver, B.C. has announced it has acquired 13 sawmills from International Paper, the world's largest paper and forest products company, headquartered in Stamford, Conn. The acquisition is expected to close early in 2007. The acquisition marks a significant expansion of West Fraser's presence in the United States where it already owns 2 mills in Arkansas and Louisiana. The 13 mills, which are located in North and South Carolina, Georgia, Florida, Alabama, Arkansas, and Texas, employ approximately 2,200 people and have a combined annual production capacity of 420 million board feet of lumber from southern yellow pine. According to West Fraser, the company will be the second largest North American lumber producer following the acquisition. West Fraser's CEO, Hank Ketcham claimed that while the U.S. South lumber industry is experiencing the same downturn as West Fraser's Canadian operations, the longer-term outlook is positive. West Fraser is an integrated forest company founded by the Ketcham family in 1955 and produces a wide range of solid wood and paper products.

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